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LB 1047

Revision: 01

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised on 3/23/04 to reflect amendments adopted through 3/19/04.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2004-05		FY 2005-06	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

*Does not include impact on political subdivisions. See narrative for political subdivision estimates.

LB 1047, as amended, includes provisions which allow an insurer domiciled in another state that is a subsidiary of a mutual insurance holding company to transfer domicile of the insurer to Nebraska upon approval of the Director of Insurance. These provisions were included in the bill to allow a large California insurer to domicile in Nebraska. It is unknown if other insurers will also seek to domicile in the state pursuant to the legislation.

The insurer is currently paying premium taxes for business written in Nebraska at a retaliatory rate because California has a higher premium tax rate than Nebraska. The transfer to Nebraska will reduce the amount of premium taxes received from this insurer by approximately \$200,000 per year. However, since the insurer is seeking to domicile in another state with lower premium tax rates, if the company does not domicile here, it will in all likelihood domicile in another state. It is assumed the chosen state of domicile will have a premium tax rate similar to Nebraska's, so the state will inevitably lose premium tax revenue without the benefit of jobs created by the redomiciled insurer.

At some future time, it may be necessary for the Department of Insurance to add examining staff or contract for financial and market conduct examinations of this large insurer. Any additional costs relating to examinations will be borne by the insurance company.